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March 21, 1997

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Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street N.W.  
Washington, D.C. 20554

Re: Ex Parte Presentation: Access Charge Reform  
CC Docket No. 96-262

Dear Mr. Caton:

Today, on behalf of the American Petroleum Institute, the undersigned met with Daniel Gonzalez, Legal Advisor to Commissioner Chong, to discuss API's position in the above-referenced proceeding. The attached material was discussed in the meeting.

Two copies of this letter, along with attachments, are being submitted to the Secretary of the Commission in accordance with Section 1.1206(a)(1) of the Commission's rules.

Very truly yours,

*Susan M. Hafeli*

Susan M. Hafeli

Attachment  
cc: Daniel Gonzalez, Esq.

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**POSITION OF THE  
AMERICAN PETROLEUM INSTITUTE**

CC Docket No. 96-262  
March 21, 1997

**I. THE COMMISSION SHOULD ADOPT A PROPOSAL THAT RESULTS IN IMMEDIATE *NET* RATE REDUCTIONS FOR SWITCHED ACCESS SERVICES**

- **The Commission's authority to make price cap adjustments is well-established**
  - Record evidence supports an X factor of 10 percent (and should be calculated on the basis of interstate productivity)
  - Rates should be reinitialized to no more than 11.25 percent
- **The Commission's authority to prescribe net reductions in access rates derives from Sections 201 and 202 of the Communications Act**
  - Those rates will continue to retain a profit component
- **Access charge reductions have driven growth in telecommunications**
  - FCC's *Trends in Telephone Service* (May, 1996) document the correlation
- **LEC revenue recovery cannot be reconciled with either the 1996 Act or the Commission's policies.**
  - Policies intended to emulate competitive markets, including price cap regulation, demand cost-based rates
  - If it is to "favor competition, not specific competitors," the Commission must eliminate overcharges that subsidize incumbents
  - Failure to prescribe immediate net rate reductions guarantees inefficient network utilization, as customers migrate from switched access services
  - Pro-consumer policies require that end users be relieved of the burdens associated with inflated access charges

## FCC TRENDS IN TELEPHONE SERVICE

MAY 1996

TABLE 23

INTERSTATE SWITCHED ACCESS MINUTES  
(FIGURES SHOWN IN BILLIONS)

	PREMIUM MINUTES	NON-PREMIUM MINUTES	TOTAL MINUTES
1984 THIRD QUARTER	32.0	5.5	37.5
FOURTH QUARTER	33.6	6.0	39.6
1985 FIRST QUARTER	32.9	6.6	39.6
SECOND QUARTER	34.9	6.6	41.5
THIRD QUARTER	36.6	6.2	42.8
FOURTH QUARTER	38.0	5.3	43.3
1986 FIRST QUARTER	38.8	4.3	43.0
SECOND QUARTER	41.0	3.8	44.8
THIRD QUARTER	43.2	3.5	46.7
FOURTH QUARTER	45.5	3.0	48.5
1987 FIRST QUARTER	48.0	3.2	51.2
SECOND QUARTER	49.3	3.1	52.5
THIRD QUARTER	52.1	2.9	55.0
FOURTH QUARTER	54.4	2.6	57.0
1988 FIRST QUARTER	56.6	2.4	59.0
SECOND QUARTER	57.3	2.3	59.6
THIRD QUARTER	59.8	2.3	62.1
FOURTH QUARTER	61.8	2.2	64.0
1989 FIRST QUARTER	64.1	2.1	66.2
SECOND QUARTER	66.5	2.0	68.5
THIRD QUARTER	67.7	2.0	69.7
FOURTH QUARTER	70.7	1.9	72.6
1990 FIRST QUARTER	72.9	1.9	74.7
SECOND QUARTER	74.0	1.8	75.8
THIRD QUARTER	76.1	1.8	77.9
FOURTH QUARTER	77.4	1.6	79.1
1991 FIRST QUARTER	77.7	1.5	79.2
SECOND QUARTER	80.4	1.5	81.9
THIRD QUARTER	81.2	1.4	82.6
FOURTH QUARTER	83.0	1.4	84.4
1992 FIRST QUARTER	84.5	1.2	85.6
SECOND QUARTER	85.4	1.1	86.5
THIRD QUARTER	86.8	1.0	87.9
FOURTH QUARTER	88.8	1.0	89.8
1993 FIRST QUARTER	89.8	0.9	90.6
SECOND QUARTER	90.4	0.8	91.2
THIRD QUARTER	92.9	0.7	93.6
FOURTH QUARTER	95.2	0.6	95.9
1994 FIRST QUARTER	98.1	0.6	98.7
SECOND QUARTER	97.4	0.5	97.9
THIRD QUARTER	101.4	0.5	102.0
FOURTH QUARTER	102.2	0.5	102.7
1995 FIRST QUARTER	105.5	0.5	105.9
SECOND QUARTER	106.5	0.4	107.0
THIRD QUARTER	108.6	0.4	109.0
FOURTH QUARTER	110.1	0.4	110.5